

**PUBLIC DISCLOSURE**

**February 6, 2013**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**MERRIMAC SAVINGS BANK  
90240**

**1 WEST MAIN STREET  
MERRIMAC, MASSACHUSETTS 01860**

**Division of Banks  
1000 Washington Street  
Boston, MA 02118**

**Federal Deposit Insurance Corporation  
350 Fifth Avenue, Suite 1200  
New York, NY 10118**

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.</p>
---

# TABLE OF CONTENTS

I. General Information	1
II. Institution Rating .....	1
III. Scope of Evaluation .....	2
IV. Description of Institution .....	3
V. Description of Assessment Area .....	4
VI. Conclusions with Respect to Performance Criteria .....	6
VII. State of Massachusetts	
a. State Rating .....	9
b. Description of Institution Operations.....	9
c. Conclusions with Respect to Performance Criteria .....	9
VIII. State of New Hampshire	
a. State Rating .....	11
b. Description of Institution Operations.....	11
c. Conclusions with Respect to Performance Criteria .....	11
IX. Appendix	
a. Fair Lending.....	A-1
b. Definitions.....	A-2

## GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting its needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of Merrimac Savings Bank (or the “Bank”), prepared by the Division and FDIC, the institution's supervisory agencies, as of February 6, 2013. The agencies evaluate performance in the assessment area as defined by the institution, rather than individual branches. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and Part 345 of the FDIC’s Rules and Regulations.

### **INSTITUTION'S CRA RATING: This institution is rated “Satisfactory.”**

An institution in this group has a reasonable record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. Small Bank CRA evaluation procedures were utilized and considered the following criteria: Loan-to-Deposit (“LTD”) Ratio; Assessment Area Concentration; Geographic Distribution; Borrower Profile; and Response to CRA Complaints. The rating is supported by the following conclusions:

- **Loan-to-Deposit Ratio:** The average net LTD ratio for the preceding 19 quarters (December 2007 to September 2012) was 77.3 percent. The ratio, as of September 30, 2012 was 67.1 percent. Since the previous CRA evaluation, dated of December 3, 2007, the ratio ranged from a low of 66.9 percent on June 30, 2011, to a high of 85.4 percent on June 30, 2008. Overall, the Bank’s LTD ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution’s size, financial condition, and assessment area credit needs.
- **Assessment Area Concentration:** Merrimac Savings Bank’s residential lending activity is reasonable as the majority of the Bank’s loans and other related activities are inside the institution’s assessment area. During the evaluation period, the Bank originated 62.2 percent, by number, and 67.0 percent, by dollar volume, of residential mortgage loans within its assessment area.
- **Borrower Profile:** Merrimac Savings Bank’s performance of lending to borrowers of different income levels reflects a reasonable penetration to low- and moderate-income borrowers. In 2010 and 2011, the Bank’s performance of originating home mortgage loans to low- and moderate-income borrowers, by number, exceeded the aggregate. The Bank’s home mortgage lending to low- and moderate-income borrowers increased slightly from 2010 to 2011. The Bank’s performance is tempered somewhat by the small number of loans originated in each respective year.
- **Geographic Distribution:** The Bank’s geographic distribution of home mortgage loans reflects a reasonable dispersion throughout the delineated assessment area, when considering

overall performance context. The assessment area contains no low- or moderate-income census tracts. In 2010 and 2011, Merrimac Savings Bank's home mortgage lending activity, by number of loans, within middle-income census tracts (87.5 percent and 100.0 percent, respectively) significantly exceeded aggregate lending. The Bank's lending in upper-income census tracts was below aggregate lending in 2010 and 2011 at 12.5 percent and 0.0 percent, respectively.

- **Response to CRA-Related Complaints:** The Bank did not receive any CRA-related complaints since the previous evaluation. However, the Bank has procedures in place to address complaints.

## **SCOPE OF EVALUATION**

This evaluation was conducted jointly by the Division and the FDIC using Small Bank CRA procedures, as established by the Federal Financial Institutions Examination Council ("FFIEC"). As of September 30, 2012, residential loans represented 84.5 percent of the Bank's total loan portfolio. As a result, this CRA evaluation focused on the Bank's residential real estate loans for calendar years 2010 and 2011, reported pursuant to the Home Mortgage Disclosure Act ("HMDA"). Aggregate lending data (2010 and 2011) was utilized for comparative purposes within the criteria of Geographic Distribution and Borrower Profile. Small business and consumer loan products were considered but excluded from this analysis as these products comprise small percentages of the Bank's lending portfolio at 7.1 and 5.8 percent, respectively. Additionally, the Bank did not make any small farm loans during the review period. Although both the number and dollar volume of the Bank's loans were reviewed, the number of originations was weighed more heavily than dollar volume. This is because the number of loans is less likely to be influenced by factors such as applicant income level, or by varying housing values within the Bank's assessment area.

Loan categories (purchase, home improvement, refinances, and multi-family) were analyzed individually, but are not separately presented in this evaluation, as any differences between the categories were not material.

The Interstate Banking and Branching Efficiency Act ("IBBEA") requires separate analysis and conclusions of CRA performance in each metropolitan statistical area ("MSA") where a bank maintains branch offices. The Bank operates in the Boston-Cambridge-Quincy, Massachusetts-New Hampshire MSA, which includes two Metropolitan Divisions ("MDs"). Both MDs are within the Boston, Massachusetts Consolidated Metropolitan Statistical Area ("CMSA"). As a result, the Bank's overall conclusions are combined. Additionally, IBBEA also mandates separate CRA ratings for each state in which the bank maintains a branch. In this case, Merrimac Savings Bank has branches in both Massachusetts and New Hampshire. Ratings will be assigned for each State. Further, Section 109 of IBBEA prohibits the establishment of a branch outside of a bank's home state primarily for the purpose of deposit production. Therefore, an analysis of the LTD ratios for New Hampshire and Massachusetts were conducted to assess the sufficiency of the lending activity in each State.

Demographic information referenced in this evaluation was obtained from the 2000 United States (U.S.) Census unless otherwise noted. Additionally, unless otherwise noted, the Bank's financial data was obtained from its September 30, 2012 Call Report.

## **PERFORMANCE CONTEXT**

### **DESCRIPTION OF INSTITUTION**

Merrimac Savings Bank is a mutually-owned, state-chartered institution. The institution operates two full-service banking locations at 1 West Main Street, Merrimac, Massachusetts (main office) and 29 South Main Street, Newton, New Hampshire.

The Bank offers residential, consumer and commercial products and services. Additionally, both offices offer extended lobby and drive-up hours on Thursday and Friday evenings. As of September 30, 2012, the Bank reported total assets of \$67.4 million, total loans of \$41.6 million (61.8 percent of total assets), and deposits of \$61.5 million. The Bank is primarily a residential mortgage lender, with loans secured by 1-4 family residential structures representing 84.5 percent of the loan portfolio. Table 1 illustrates the Bank's loan portfolio as of September 30, 2012.

<b>Table 1 – Loan Portfolio Distribution</b>		
<b>Loan Type</b>	<b>Dollar Amount \$('000s)</b>	<b>Percent of Total</b>
Construction, Land Development, and Other Land Loans	466	1.1
Revolving, Open-end Loans Secured by 1-4 Family Residential Properties and Extended Under Lines of Credit	2,981	7.2
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by First Liens	31,384	75.4
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by Jr. Liens	797	1.9
Secured by Multi-Family (5 or more) Residential Properties	579	1.4
<b>Total Residential Real Estate Loans</b>	<b>36,207</b>	<b>87.0</b>
Secured by Farmland (Including Farm Residential and Other Improvements)	0	0.0
Secured by Nonfarm Nonresidential Properties	1,322	3.2
<b>Total Real Estate Loans</b>	<b>37,529</b>	<b>90.2</b>
Loans to Finance Agricultural Production and Other Loans to Farmers	0	0.0
Commercial and Industrial	1,664	4.0
Loan to Individuals for Household, Family, or Other Personal Expenditures (Consumer Loans)	2,445	5.8
<b>Total Loans</b>	<b>41,638</b>	<b>100.0</b>

*Source: Reports of Income and Condition*

The primary business focus of the Bank is to serve the deposit and credit needs of its local communities. There are no financial or legal impediments that would prevent the Bank from helping to meet the credit needs of its assessment area. However, it is noted the Bank operates in a highly competitive lending environment. In 2010 and 2011, 144 and 129 lenders, respectively, originated at least one home mortgage loan within the Bank's assessment area.

The FDIC last evaluated the institution's CRA performance utilizing 'Small Bank' procedures on December 3, 2007 and the Division's last evaluation was conducted on July 26, 2010. Both evaluations resulted in a CRA rating of "Satisfactory."

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires a financial institution to define one or more assessment areas within which its record of helping to meet credit needs is evaluated. Generally, an assessment area should consist of MSAs, MDs, or contiguous political subdivisions, such as counties, cities, or towns. Furthermore, an assessment area should consist of whole geographies (census tracts) in which a bank has its main office, its branches, and any deposit-taking remote service facilities, as well as geographies in which a bank originated or purchased a substantial portion of its loans. A bank's assessment area must consist of whole geographies; may not reflect discriminatory practices; may not arbitrarily exclude low- or moderate-income geographies (taking into account a bank's size and financial condition); and may not extend substantially beyond an MSA boundary or beyond a state boundary, with certain exceptions. Merrimac Savings Bank's assessment area, as currently defined, meets the technical requirements of CRA.

### *Geographies*

The Bank's assessment area consists of the towns of Merrimac and West Newbury, Massachusetts, both of which are contained within northern Essex County, in the Peabody MD (37764) and the Town of Newton, New Hampshire, in the Rockingham County-Strafford County, New Hampshire MD (40484). The delineated assessment area is contained within the Boston Massachusetts CMSA. The assessment area consists of three census tracts. There are no low- or moderate- income census tracts in the assessment area. One tract is upper-income and two are middle-income tracts.

Table 2 highlights relevant demographic data of the Bank's assessment area.

Table 2 – Assessment Area Demographic Information					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	3			66.7	33.3
Population by Geography	14,576			71.5	28.5
Owner-Occupied Housing by Geography	5,270			70.8	29.2
Distribution of Families by Income Level	4,077	12.8	16.5	24.3	46.6
<b>Median Family Income (MFI)*</b> <b>37764, Peabody, MA MD (2010)</b> <b>37764, Peabody, MA MD (2011)</b> <b>2010</b> <b>40484,Rockingham County-Strafford County, NH MD</b> <b>2011</b> <b>4084,Rockingham County-Strafford County, NH MD</b>		86,667	<b>Median Housing Value</b> <b>Unemployment Rate:</b> <b>Massachusetts</b> <b>New Hampshire</b>  <b>Families Below Poverty Level</b>		216,812
		83,900			6.7%
		86,200			5.7%
		87,000			
		87,600			4.3%

Source: \*Median Family Income (MFI) Source: United States Department of Housing, Urban Development (HUD) 2010, and 2011, and US Census 2000 \*\* December 2012 Bureau of Labor Statistics

### *Housing*

According to 2000 U.S. Census data, the assessment area's population is 14,576 and contains 5,140 households: 15.4 percent are low-income, 14.1 percent are moderate-income, 19.6 percent are middle-income, and 50.9 percent are upper-income. Additionally, 4.3 percent of households are below the poverty level. There are approximately 5,270 housing units in the Bank's assessment area, of which 84.0 percent are owner-occupied. One-to-four family dwellings comprise 94.8 percent of assessment area housing units, and multi-family dwellings comprise 5.2 percent.

### ***Median Family Incomes***

Recent data from the U.S. Department of Housing and Urban Development (HUD) indicates that the median family income (MFI) for the Peabody, MA MD increased from \$83,900 in 2010 to \$86,200 in 2011. The Rockingham County-Strafford County NH MD was \$87,000 in 2010 and increased to \$87,600 in 2011.

### ***Housing Prices***

Table 3 contains home sales prices for the assessment area. Data obtained from Banker & Tradesman (The Warren Group) for Merrimac and West Newbury noted median home prices declined from 2010 to 2011. The Warren Group does not track or report sales price data for New Hampshire, subsequently sales price data was obtained from the New Hampshire Association of Realtors for 2010 and 2011, which reports on a county basis. Generally, the median home prices in the assessment area experienced a decline, consistent with most real estate values in Eastern Massachusetts and New Hampshire over the past three to four years.

<b>Table 3 – Median Sales Price of Residential Properties</b>			
<b>Town/County</b>	<b>2010</b>	<b>2011</b>	<b>% Change</b>
Merrimac, MA	\$263,500	\$241,950	-8.9
West Newbury, MA	\$395,263	\$326,250	-21.2
Rockingham, NH	\$266,900	\$250,000	-6.8

### ***Unemployment***

According to the U.S. Bureau of Labor and Statistics, as of December 2012, the national unemployment rates within the assessment area were 6.5 percent (Merrimac); 4.6 percent (West Newbury); and 6.6 percent (Newton, NH). The Massachusetts unemployment rate for 2012 was 6.7 percent, New Hampshire was 5.7 percent, and the U.S. unemployment rate was 7.9 percent at year-end. Local unemployment rates remain below national and state levels.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **LOAN-TO-DEPOSIT RATIO**

The Bank's net LTD ratio is reasonable. The ratio is primarily utilized as a reference to determine whether an institution is lending to a reasonable degree, in terms of reinvesting deposited funds back into the community. The average LTD ratio for the preceding 19 quarters (December 31, 2007 through September 30, 2012) was 77.3 percent. The current ratio, as of September 30, 2012 is 67.1 percent.

Since December 31, 2007, the ratio fluctuated from a high of 85.4 percent (June 30, 2008) to a low of 66.9 percent (June 30, 2011). Table 4 depicts the average LTD ratio of the Bank and three comparable institutions with similar asset sizes and business focus.

<b>Table 4– LTD Comparison</b>		
<b>Bank Name</b>	<b>Total Assets \$(000) as of 09/30/12</b>	<b>Average Net LTD Ratio 12/31/2007 – 09/30/2012</b>
Chelsea Bank	55,502	87.9
<b>Merrimac Savings Bank</b>	<b>67,399</b>	<b>77.3</b>
Methuen Cooperative Bank	89,060	69.6
Granite Savings Bank	72,061	69.3

*Source: December 31, 2007 through September 30, 2012 Call Reports*

### **ASSESSMENT AREA CONCENTRATION**

Merrimac Savings Bank originated a majority of its residential loans within its assessment area. Table 5 reflects the institution's record of residential home mortgage originations inside and outside of the designated assessment area during the evaluation period.

<b>Table 5 – Distribution of Loans Inside and Outside of Assessment Area</b>										
<b>Loan Category or Type</b>	<b>Number of Loans</b>					<b>Dollar Volume</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total \$(‘000s)</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$(‘000s)</b>	<b>%</b>	<b>\$(‘000s)</b>	<b>%</b>	
<b>Home Loans</b>										
<b>2010</b>										
Home Purchase	1	50.0	1	50.0	1	220	74.3	76	25.7	296
Refinance	3	100.0	0	0.0	3	890	100.0	0	0.0	890
Home Improvement	4	57.1	3	42.9	7	19	54.3	16	45.7	35
<b>Total</b>	<b>8</b>	<b>66.7</b>	<b>4</b>	<b>33.3</b>	<b>12</b>	<b>1,129</b>	<b>92.5</b>	<b>92</b>	<b>7.5</b>	<b>1,221</b>
<b>2011</b>										
Home Purchase	8	72.7	3	27.3	11	755	60.9	484	39.1	1,239
Refinance	4	57.1	3	42.9	7	477	59.2	329	40.8	806
Home Improvement	3	42.9	4	57.1	7	37	11.8	277	88.2	314
<b>Total</b>	<b>15</b>	<b>60.0</b>	<b>10</b>	<b>40.0</b>	<b>25</b>	<b>1,269</b>	<b>53.8</b>	<b>1,090</b>	<b>46.2</b>	<b>2,359</b>
<b>Total Home Loans</b>	<b>23</b>	<b>62.2</b>	<b>14</b>	<b>37.8</b>	<b>37</b>	<b>2,398</b>	<b>67.0</b>	<b>1,182</b>	<b>33.0</b>	<b>3,580</b>

*Source: 2010 and 2011 HMDA LARs.*

As depicted in Table 5, Merrimac Savings Bank originated 62.2 percent by number and 67.0 percent by dollar volume of residential mortgage loans within its assessment area during the evaluation period. In 2010, the Bank originated 66.7 percent by number and 92.5 percent by



dollar amount inside its assessment area. There were 144 lenders that originated at least one home mortgage loan in the Bank's assessment area in 2010. Merrimac Savings Bank was ranked 32<sup>nd</sup> with a market share of 0.73 percent by number and 0.41 percent by dollar volume.

In 2011, the Bank originated 60.0 percent by number and 53.8 percent by dollar volume inside the assessment area. There were 129 lenders that originated at least one home mortgage loan in the Bank's assessment area in 2011. Merrimac Savings Bank improved to 22<sup>nd</sup> with a market share of 1.53 percent by number and 0.52 percent by dollar volume.

## BORROWER PROFILE

Merrimac Savings Bank's performance of originating residential loans to low- and moderate-income borrowers in the assessment area is reasonable. While the Bank's percentages, in comparison to the aggregate, are quite good, the overall performance is tempered by the Bank's generally low lending volume.

Table 6 illustrates the distribution of the Bank's HMDA loans by borrower income level as compared to demographic data and aggregate lending data from 2010 and 2011. Only loans extended within the assessment area are included in this table.

Table 6– Distribution of Home Mortgage Loans by Borrower Income Level							
Income Level	% of Total Families	2010 Aggregate Lending Data (% of #)	Bank 2010		2011 Aggregate Lending Data (% of #)	Bank 2011	
			#	%		#	%
Low	12.8	3.9	1	12.5	3.1	1	6.6
Moderate	16.3	13.4	3	37.5	16.9	6	40.0
Middle	24.3	26.1	1	12.5	21.1	4	26.7
Upper	46.6	41.7	3	37.5	42.9	4	26.7
N/A	0.0	14.9	0	0.0	16.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>

Source: 2010 and 2011 HMDA Data, 2000 US Census Data

The Bank's performance of lending to borrowers of different income levels is analyzed in two ways. The first analysis compares the Bank's performance with all financial institutions that originated at least one home mortgage loan in the assessment area in 2010 and 2011. Aggregate data for 2010 and 2011 was utilized in the evaluation. The second analysis compares the Bank's lending activity with assessment area demographic data.

As shown in Table 6, the Bank's 2010 performance of lending to low-income borrowers, at 12.5 percent, exceeds the aggregate performance of 3.9 percent and was comparable to the percentage of families at 12.8 percent. The Bank ranked 5<sup>th</sup> out of 144 lenders in originating loans to low-income borrowers in the assessment area. In 2010, the Bank's performance of lending to moderate-income borrowers, at 37.5 percent, exceeded aggregate performance of 13.4 percent. The Bank ranked 7<sup>th</sup> out of 144 lenders in originating loans to moderate-income borrowers in the assessment area.

In 2011, the Bank's percentage to low-income borrowers, at 6.6 percent, exceeded the aggregate lending data. The Bank ranked 4<sup>th</sup> out of 129 lenders. The Bank's performance of lending to moderate-income borrowers, at 40.0 percent, once again exceeded the aggregate performance. The Bank ranked 6<sup>th</sup> out of 129 lenders in the assessment area.

As noted above, the Bank demonstrated consistent performance of making loans to low- and moderate-income borrowers throughout the evaluation period. Although the bank exceeded the aggregate, the performance is tempered by the overall loan volume.

## GEOGRAPHIC DISTRIBUTION

The geographic distribution of loans was reviewed to assess the Bank's performance of addressing the credit needs of the assessment area. The primary focus of this analysis is to assess the Bank's lending in the low- and moderate-income census tracts located in the assessment area; however, the assessment area does not contain any low- or moderate-income census tracts. Therefore, only a limited analysis under this criterion was conducted. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

Table 7 details the distribution of HMDA-reportable, residential mortgage loans by income level of census tract. Aggregate data for 2010 and 2011 is also included for comparison purposes. Only loans extended during the evaluation period within the assessment area are included in the analysis. As previously noted the assessment area contains three census tracts; two middle- and one upper-income census tract.

Table 7– Distribution of Home Mortgage Loans by Census Tract Income Level							
Census Tract Income Level	% of Total Owner- Occupied Housing Units	2010 Aggregate Lending Data (% of #)	Bank 2010		2011 Aggregate Lending Data (% of #)	Bank 2011	
			#	%		#	%
Middle	70.8	65.7	7	87.5	64.2	15	100.0
Upper	29.2	34.3	1	12.5	35.8	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>

Source: 2010 and 2011 HMDA Data, 2000 US Census Data

The analysis of the Bank's 2010 residential mortgage originations to middle-income census tracts indicates a majority, at 87.5 percent, of the loans were extended in the assessment area. The Bank exceeded the aggregate, at 65.7 percent. The 2011 performance notes 100.0 percent were in middle-income census tracts.

Due to the lack of low- and moderate-income census tracts in the assessment area, less weight is placed on the Geographic Distribution criterion. The Bank's overall lending in the assessment area is considered reasonable.

## RESPONSE TO CRA COMPLAINTS

A review of FDIC and Division records, as well as the Bank's CRA Public File, did not reveal any unresolved complaints since the previous FDIC CRA evaluation, dated December 3, 2007 and the Division's CRA evaluation, dated July 26, 2010. Additionally, the Bank maintains procedures to address complaints, if received.

## **STATE OF MASSACHUSETTS**

IBEAA requires separate state ratings for each state in which a bank maintains a branch location. The following narrative provides a rating and performance summary for the Bank's home state of Massachusetts.

### **CRA RATING FOR MASSACHUSETTS: This institution is rated "Satisfactory."**

Merrimack Savings Bank's home mortgage lending performance in Massachusetts is consistent with the bank's overall performance in terms of meeting the credit needs of the Massachusetts portion of the assessment area.

### **SCOPE OF EVALUATION**

The scope of the examination was similar to the scope defined in the overall section. The only difference is that this segment of the evaluation concentrated on the Bank's performance in serving the needs of assessment area residents in Massachusetts.

### **DESCRIPTION OF INSTITUTION OPERATIONS IN MASSACHUSETTS**

Merrimack Savings Bank is headquartered in Merrimack, Massachusetts. The main office represents one of two full-service branch locations operated by the Bank. The Massachusetts portion of the designated assessment area comprises the towns of Merrimack and West Newbury, Massachusetts. Each of the towns represents an entire census tract, Merrimack being a middle-income census tract, and West Newbury being an upper-income census tract. Please note there are no low- or moderate-income census tracts in the Massachusetts portion of the assessment area.

Of 116 financial institutions that originated loans in Merrimack or West Newbury in 2011, the Bank ranked 21<sup>st</sup> with 11 loans totaling \$983,000, which represents 1.5 percent of the market in the two towns. Those institutions ranking higher are primarily large regional or national banks and mortgage companies or local banks with larger assets.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

#### **Loan-to-Deposit Ratio**

As of September 30, 2012, the Bank's net LTD ratio is 66.7 percent, and is considered reasonable.

#### **Assessment Area Concentration**

This performance factor is not considered on a state-by-state basis, as its relevancy pertains only to the Bank's home mortgage lending within the assessment area as a whole.

#### **Borrower Profile**

The Bank's record of home mortgage lending within the Massachusetts portion of the assessment area demonstrates reasonable responsiveness to the credit needs of low- and moderate-income borrowers.

Merrimac Savings Bank extended one home mortgage (20.0 percent) to a low-income borrower and one loan (20.0 percent) to moderate-income borrower in 2010, compared to aggregate of 2.3 percent and 10.4 percent respectively.

The Bank did not extend any loans to low-income borrowers in 2011. The aggregate percentage was 3.1 percent. The Bank originated four loans (36.4 percent) to moderate-income borrowers in Merrimac and West Newbury in 2011. The Bank exceeded the aggregate lending performance of 14.5 percent.

### **Geographic Distribution**

Overall, the Bank distribution of loans in the Massachusetts portion of the assessment area is reasonable. The assessment area does not contain any low- or moderate-income census tracts. Of the area's 3,631 households, 2,230 (61.4 percent) are located in middle-income census tracts. Each of the 11 home mortgages within the area in 2011 was originated in the town of Merrimac (a middle-income census tract). In 2010, the Bank extended five home loans, of which four were made in Merrimac and one was made in the upper-income census tract of West Newbury.

### **Response to Complaints**

Merrimac Savings Bank has not received any CRA-related complaints.

## STATE OF NEW HAMPSHIRE

The following section provides a rating for the Bank's home mortgage lending activity in New Hampshire and discusses the performance criteria considered in the analysis.

### **CRA RATING FOR NEW HAMPSHIRE: This institution is rated "Satisfactory."**

Merrimac Savings Bank's home mortgage lending performance in New Hampshire, although representing a small percentage of the Bank's total lending activity, is relatively consistent with the Bank's overall performance in terms of meeting the credit needs of the New Hampshire portion of the assessment area.

### **SCOPE OF EVALUATION**

The scope of the examination was similar to the scope defined in the overall section. The only difference is this segment of the evaluation concentrated on the Bank's performance in serving the needs of assessment area residents in New Hampshire.

### **DESCRIPTION OF INSTITUTION OPERATIONS IN NEW HAMPSHIRE**

The Bank continues to operate its full-service branch in Newton, New Hampshire. The Bank's designated assessment area is the Town of Newton, which is a middle-income census tract.

Of 66 financial institutions that originated home mortgages in Newton in 2011, Merrimac Savings Bank ranked 18<sup>th</sup>, having originated four loans totaling \$286,000, representing 1.6 percent of total market share. The 17 financial institutions/mortgage companies ranking ahead of the Bank are primarily large regional or national banks and mortgage companies.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

#### **Loan-to-Deposit Ratio**

Analysis of the Bank's net loans and deposits as of September 30, 2012, indicates that the current net LTD ratio is 67.1 percent. The Bank's ratio is considered reasonable. Additionally, the Bank's ratio compares favorably with the host state LTD ratio for New Hampshire of 88 percent. A bank's ratio must be at least half of the host state percentage per Section 109 of IBEAA.

#### **Assessment Area Concentration**

As previously discussed, an assessment area concentration analysis is not conducted on a state-by-state basis, as its relevancy pertains only to the Bank's home mortgage lending within the assessment area as a whole.

#### **Borrower Profile**

The Bank's record of home mortgage lending demonstrates a reasonable penetration among low- and moderate-income individuals in Newton. Of the four loans extended by the Bank in Newton in 2011, one was to a low-income borrower and one was made to a moderate-income borrower. The Bank originated one loan to a moderate-income individual in 2010.

### **Geographic Distribution**

As Newton, NH is a single middle-income census tract, the analysis is limited. The Bank's performance is reasonable.

### **Response to Complaints**

Merrimac Savings Bank has not received any CRA-related complaints.

## **COMPLIANCE WITH ANTI-DISCRIMINATION LAWS AND REGULATIONS**

During the concurrent compliance and Fair Lending examination, examiners did not identify any violations of the substantive provisions of the anti-discrimination laws and regulations. The institution applies its credit standards uniformly and has not engaged in any discriminatory lending practices.

**APPENDIX A**  
***Fair Lending Policies and Procedures***

Based on the review of the Bank's CRA Public file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified.

The Bank's Fair Lending Policy addresses efforts to eliminate discrimination in all aspects of lending including staff composition and compensation, outreach and education, marketing, and credit counseling. The Policy outlines general Fair Lending related requirements, addresses all prohibited bases, and calls for annual Fair Lending training for all Bank personnel and the Board. In addition the Bank maintains a second review process for denied applications.

**MINORITY APPLICATION FLOW**

According to 2000 U.S. Census data, the assessment area population is 1.3 percent minority. The composition is as follows: 0.3 percent Black; 0.3 percent Asian; 0.1 percent American Indian/Alaskan; and 0.7 percent reported race as "Other." Furthermore, 1.0 percent of the population is of Hispanic ethnicity.

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Bank received from minority applicants. The Bank's minority application flow for this period was compared with the racial and ethnic composition of the assessment area and the 2011 aggregate data for all other HMDA reporters within the assessment area. The comparison of these data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants.

During 2010 and 2011, Merrimac Savings Bank received 40 total applications, of which 3 or 7.5 percent were minority applications. All three of the minority applications resulted in originations. Furthermore, the Bank received one loan from a Hispanic applicant during 2011, which resulted in an origination.

Aggregate data for 2011 indicated 949 total applications were received throughout the assessment area, of which 2 or 0.2 percent were received from minority applicants.

The Bank's performance is considered reasonable.

## **APPENDIX B**

### ***General Definitions***

#### **GEOGRAPHY TERMS**

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.



## **HOUSING TERMS**

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

## **INCOME TERMS**

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **OTHER TERMS**

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at One West Main Street in Merrimac, MA 01860."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.